



Charity investments in a shifting world

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Approver: Quilter Cheviot Limited, 11 November 2025



Agenda



Navigating uncertainty:
What do Charities need
to consider?



Making the most of your
cash reserves



The investment case for
defence companies



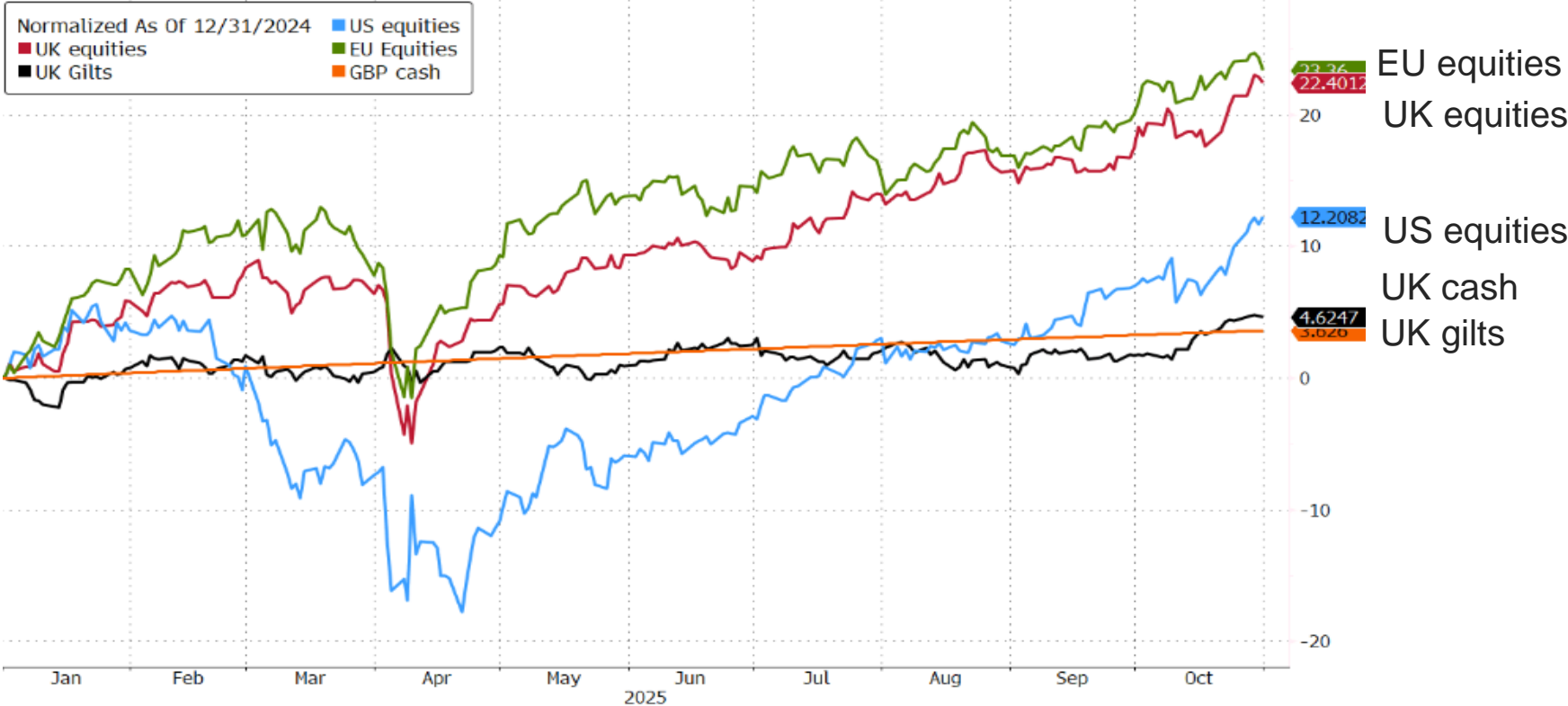
Source: iStock May 2025

Navigating uncertainty: What do charities need to consider?



Markets have recovered well amid Trump turmoil

Total returns in GBP terms, year-to-date



Source: Bloomberg Finance L.P., 31 Oct 2025

Past performance is not a reliable indicator of future returns. The value of investments and the income from them can go down as well as up. You may not recover what you invest.



Understanding the purpose of your charity funds

- ✓ Cash (3%)
- ✓ UK government bonds (4.5%)
- ✓ UK sterling corporate bonds (5%)



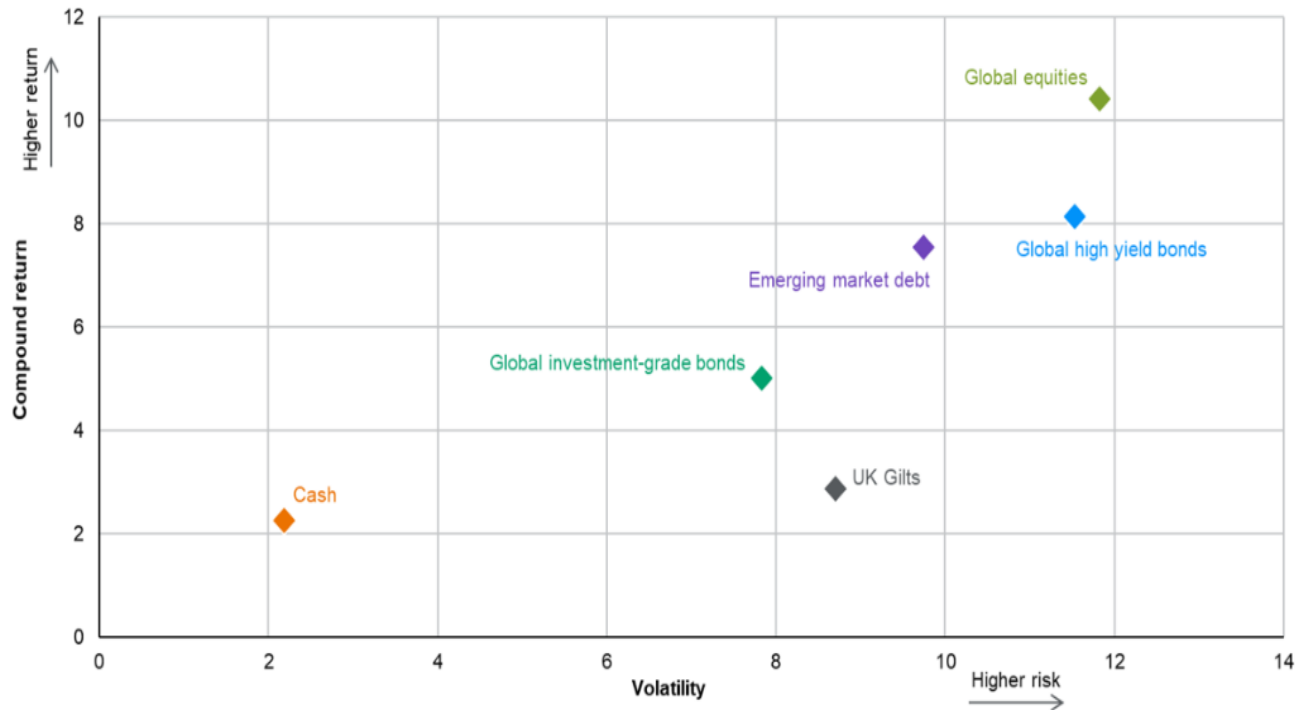
- ✓ UK equities (7.3%)
- ✓ Overseas equities (7.5%)
- ✓ UK property (6.5%)
- ✓ Private equity (8.3%)
- ✓ Commodities (5%)
- ✓ Infrastructure (5.7%)

Source: Quilter Cheviot, Copilot October 2025

Risk against return

Historic risk vs. return for selected asset classes

%, annualised return 2004-2024 in GBP



Within the three main asset classes, from most to least risky:

- Equities (stocks & shares)
- Fixed Income (bonds)
- Cash

Volatility is what makes shares more risky, because your investment can go up or down in value, although over most time periods the stock market has **usually** gone up.

The risk that comes with keeping your money in cash is **inflation**, which can erode your savings over time.

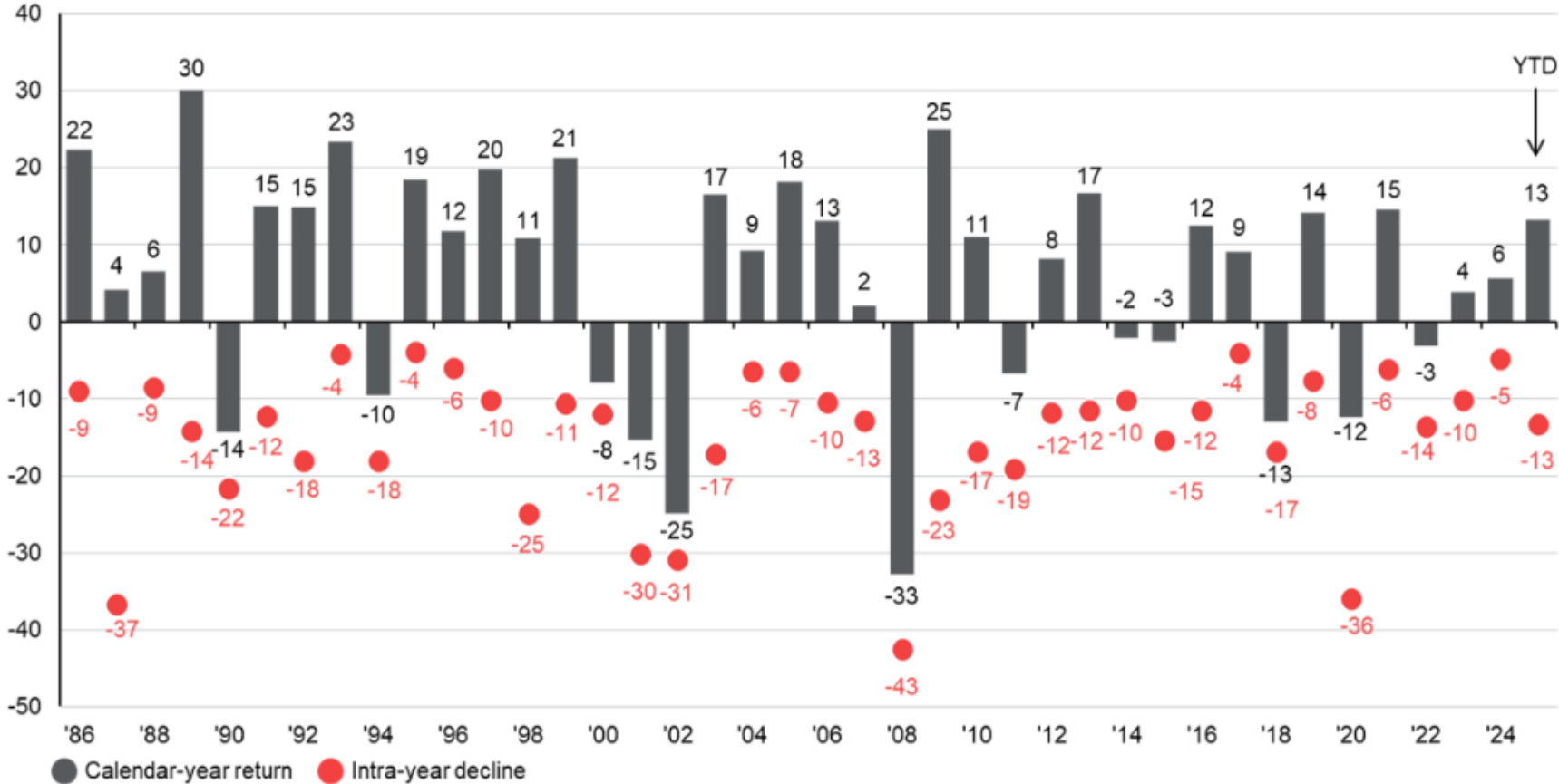
Source: Bloomberg, LSEG Datastream, MSCI, J.P. Morgan Asset Management. Volatility is the standard deviation of annual returns since 2004. Cash: J.P. Morgan Cash United Kingdom (3M); UK Gilts: Bloomberg Sterling Gilts; Global investment-grade bonds: Bloomberg Global Aggregate – Corporate; Emerging market debt: J.P. Morgan EMBI Global Diversified; Global high yield bonds: ICE BofA Global High Yield; Global equities: MSCI All-Country World Index (includes developed and emerging markets). **Past performance is not a reliable indicator of future returns. The value of investments and the income from them can go down as well as up. You may not recover what you invest.**

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Intra-year declines: avoid panic decisions

FTSE All-Share intra-year declines vs. calendar-year returns

%; despite average intra-year drops of 15.0% (median 12.0%), annual returns are positive in 27 of 39 years



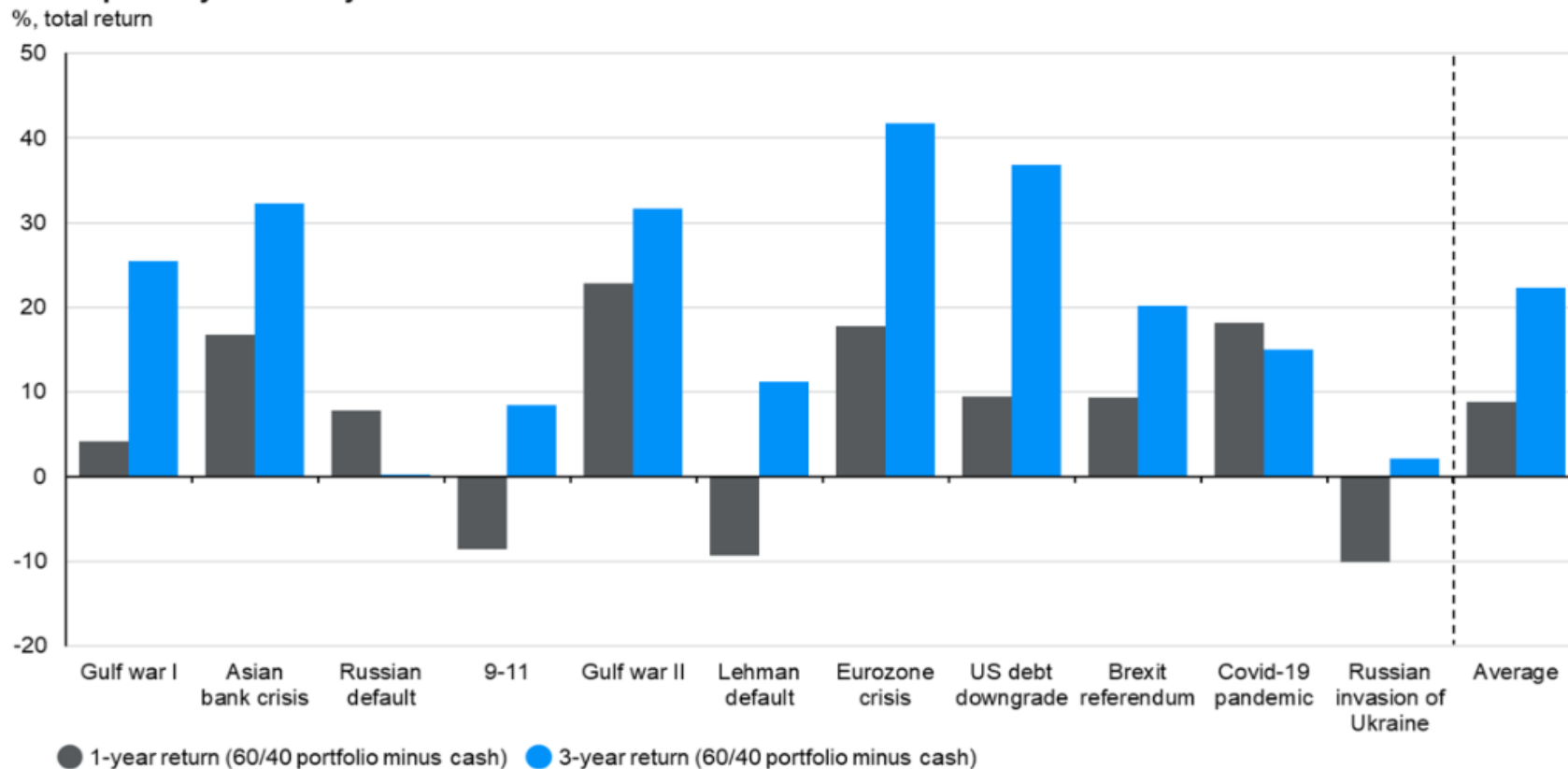
Source: FTSE, LSEG Datastream, J.P. Morgan Asset Management. Returns shown are price returns in GBP. Intra-year decline refers to the largest market fall from peak to trough within the calendar year. **Past performance is not a reliable indicator of future returns. The value of investments and the income from them can go down as well as up. You may not recover what you invest.**

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Markets in perspective– avoid panic decisions

Subsequent 1-year and 3-year returns over cash after shocks



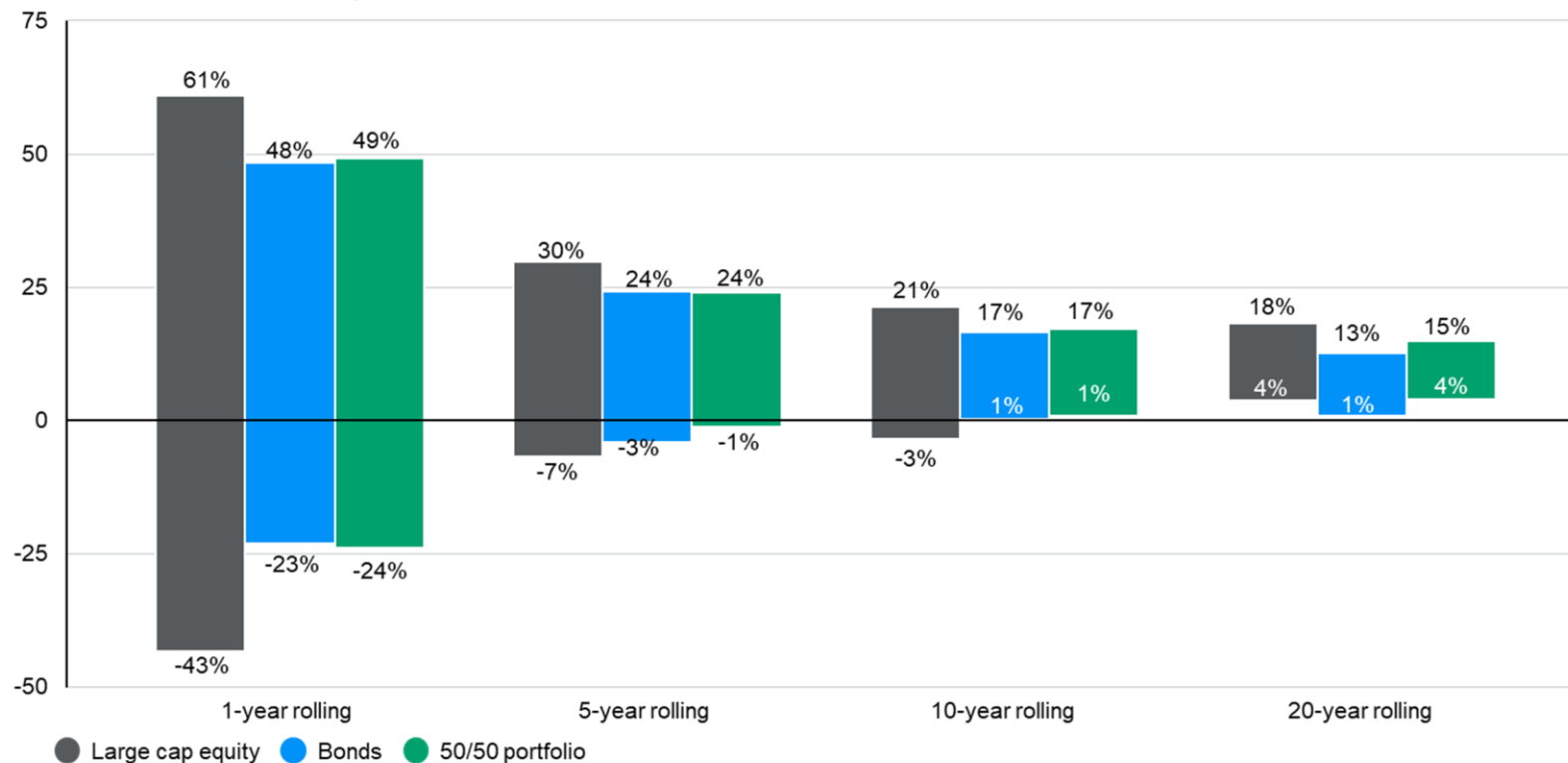
Source: Bloomberg, LSEG Datastream, S&P Global, Strategas/Ibbotson, J.P. Morgan Asset Management. 60/40 portfolio minus cash is represented by 60% Large cap and equity and 40 bonds. Large cap equity represents the S&P 500 Composite and Bonds represents the Strategas/Ibbotson US Government Bond Index, the US Long-term Corporate Bond Index until 2000 and the Bloomberg US Agg. Corporate – Investment Grade Index from 2000 onwards. Returns shown are per annum and are calculated based on monthly returns from 1950 to latest available and include dividends. **Past performance is not a reliable indicator of future returns. The value of investments and the income from them can go down as well as up. You may not recover what you invest.**

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The longer you hold, the greater your chance of positive returns

Range of equity and bond total returns

% , annualised total returns, 1950-present



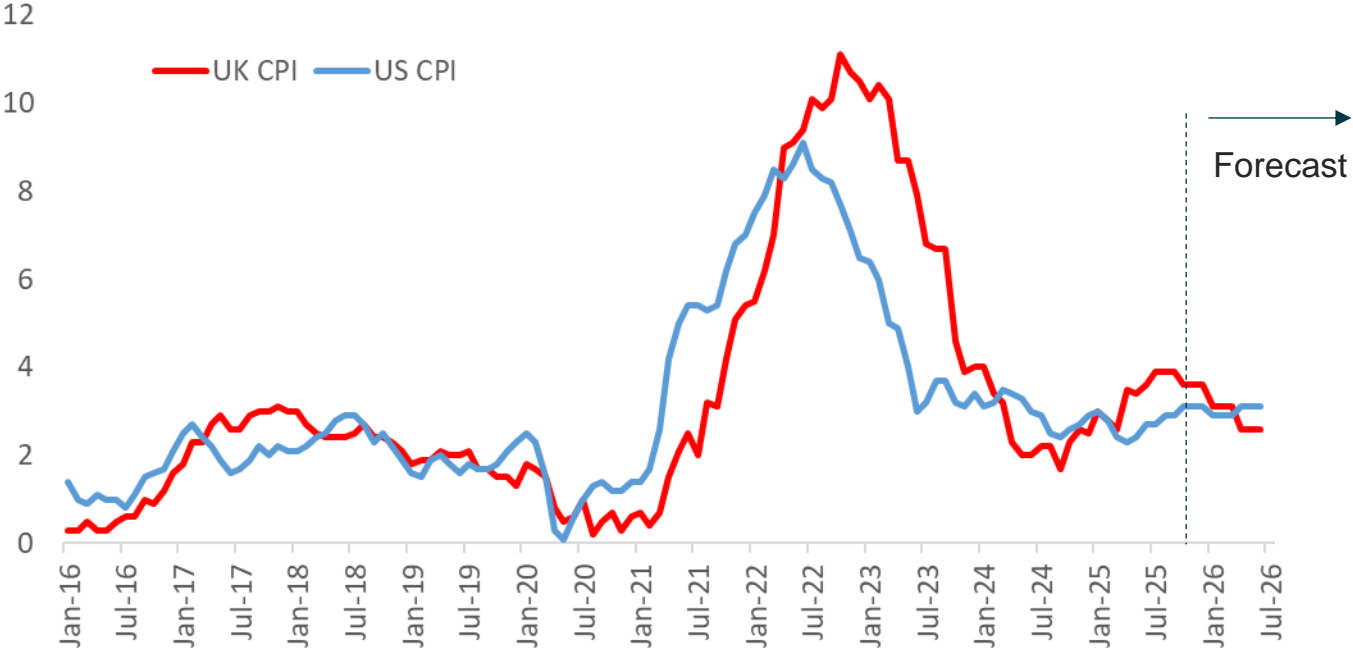
Source: Bloomberg, LSEG Datastream, S&P Global, Strategas/Ibbotson, J.P. Morgan Asset Management. Large cap equity represents the S&P 500 Composite and Bonds represents the Strategas/Ibbotson US Government Bond Index, the US Long-term Corporate Bond Index until 2000 and the Bloomberg US Agg. Corporate – Investment Grade Index from 2000 onwards. Returns shown are per annum and are calculated based on monthly returns from 1950 to latest available and include dividends. **Past performance is not a reliable indicator of future returns. The value of investments and the income from them can go down as well as up. You may not recover what you invest.**

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Inflation is a significant risk

US and UK inflation, plus forecasts



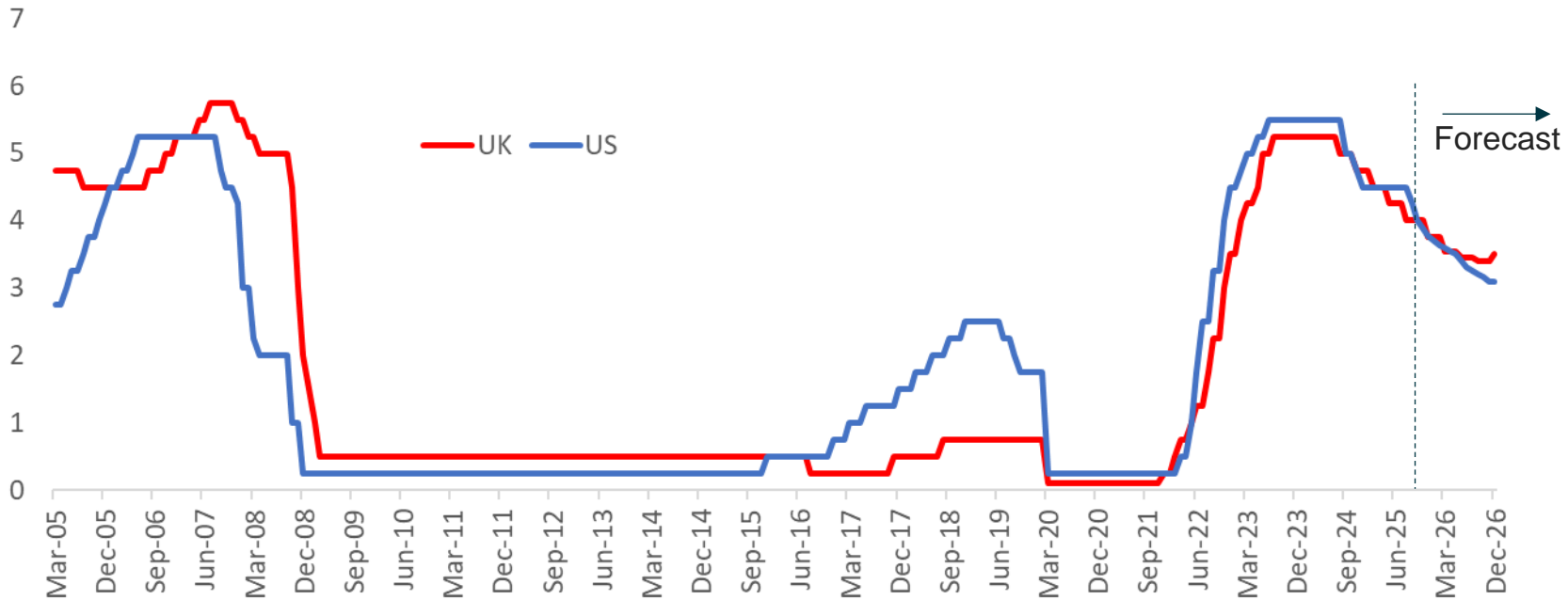
Source: Bloomberg Finance L.P., 26 Sep 25

Past performance is not a reliable indicator of future returns. The value of investments and the income from them can go down as well as up. You may not recover what you invest. Forecasts are not a reliable indicator of future performance.



Interest rates likely heading gradually lower

US and UK interest rates, plus forecasts



Source: Bloomberg Finance L.P, 31 Oct 25

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Illustration of cash management

- ✓ Attractive returns on offer
- ✓ Liquidity
- ✓ Diversifying risk
- ✓ Flexible structure
- ✓ Liability matching
- ✓ Ease of administration
- ✓ Complimentary to banking
- ✓ Cost effective

Security	Weighting (%)	Value (£)	Yield / GRY (%)	Duration
Royal London Short-Term Money Market	30%	£300,000	4.1%	0.2
iShares £ Ultra-Short Duration Bond	20%	£200,000	4.2%	0.3
UKT 1.5% 07/26	20%	£200,000	3.7%	0.8
UKT 3.75% 03/27	10%	£100,000	3.8%	1.4
UKT 4.375% 03/28	10%	£100,000	3.8%	2.3
UKT 4.125% 07/29	10%	£100,000	3.8%	3.5
Total	100%	£1,000,000	4.0%	1.0

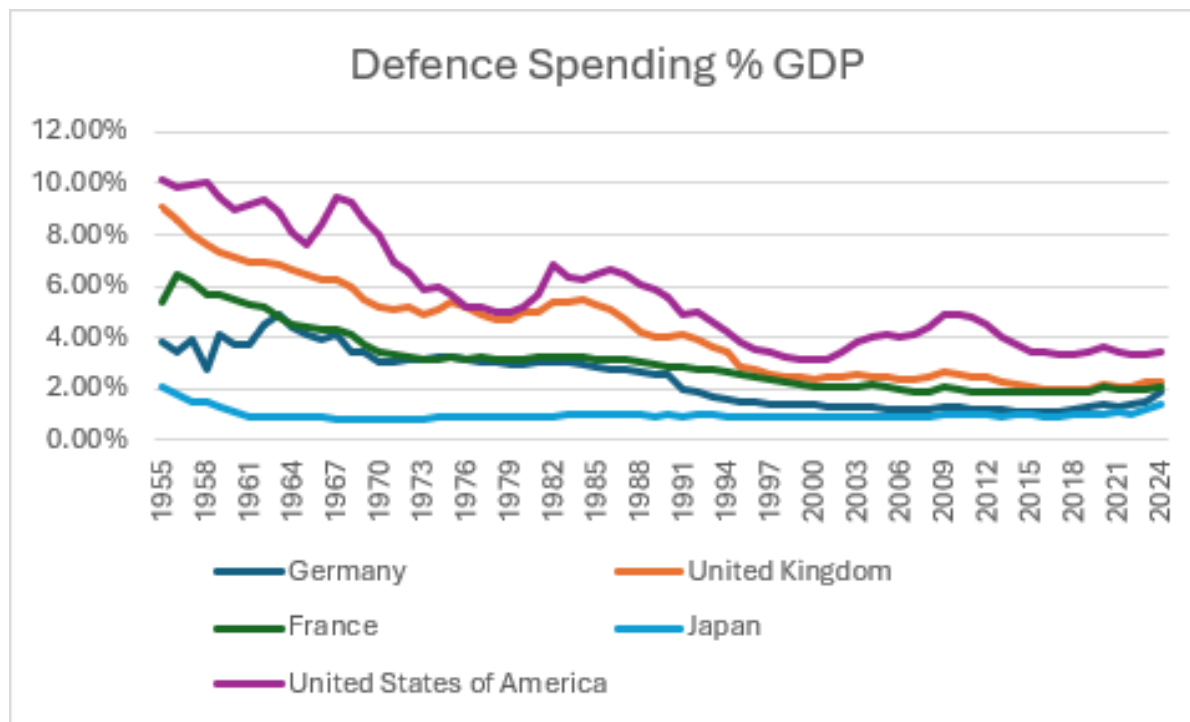
Source: Quilter Cheviot, October 2025

The investment case for defence companies



Start of a new European defence supercycle?

- Peace dividend for decades
- Historic underinvestment requires catch up spending, plus a higher baseline
- Regardless of Ukraine war outcome, spending needs to increase
- President Trump wants European defence spending target to increase to 5% of GDP
- Mark Rutte (Nato Secretary General): “It will be a number much more than 2%,...” and could be “considerably more than 3%.”

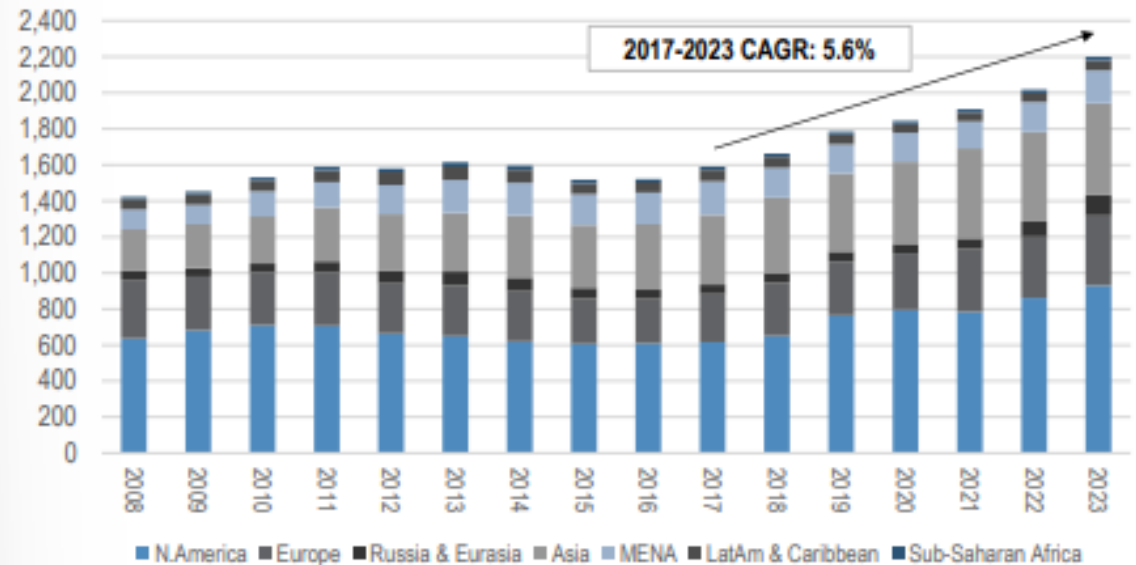


Source: Stockholm International Peace Research Institute

An improving trend is already in place

- Momentum in spending not a recent phenomenon
- Frayed relations with Europe driven by Trump's first term
- Further impetus provided by the US unilateral withdrawal from Afghanistan under Biden

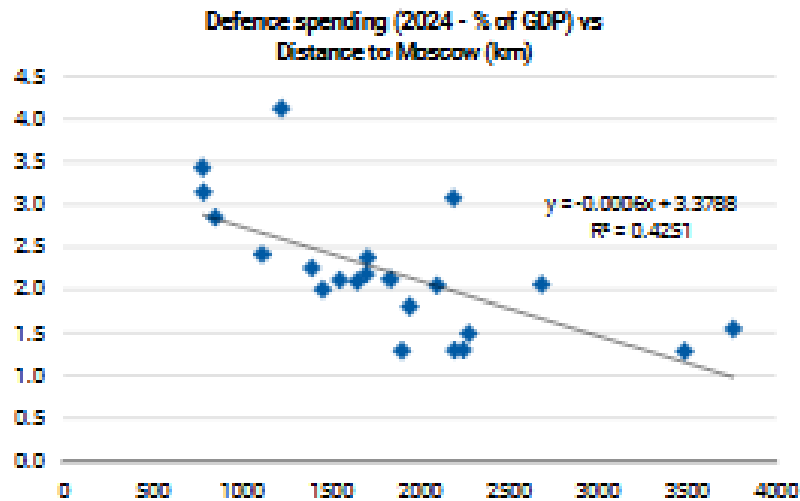
Figure 1: World defence spending, 2008-2023 (current \$ bn)



Source: Company data, Morgan Stanley

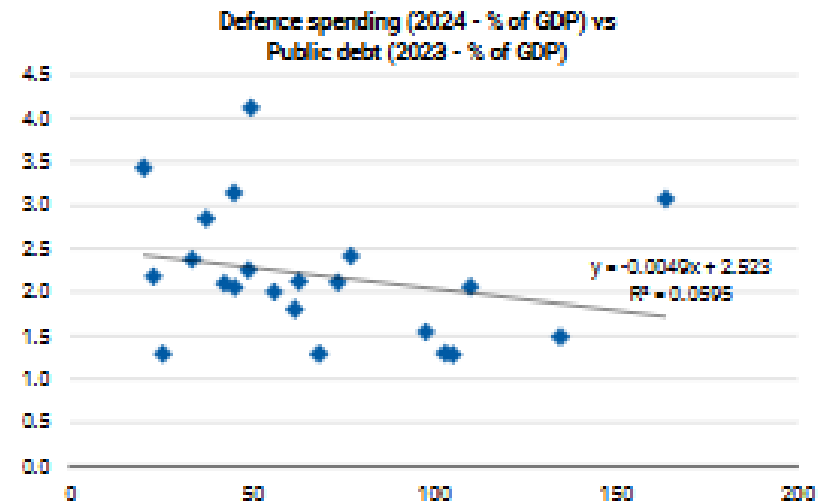
Funding can increase

Exhibit 26: The distance to Moscow seems to matter for Defence spending...



Source: NATO, Google, Morgan Stanley Research

Exhibit 27: ... more than the state of public finances.



Source: NATO, Eurostat, Morgan Stanley Research

Charity Commission's guidance

CC14: Charity Commission's guidance on investment matters.

Trustees may exclude investments if they

- Conflict with the charity's purposes.
- Risk reputational harm.
- Are inconsistent with stakeholder values.

But exclusions must be

- Evidence-based, not ideological.
- Proportionate and justified in the context of the charity's aims.

Document the rationale for inclusion or exclusion

- Engage stakeholders where appropriate.
- Review regularly in light of changing global and ethical contexts.

Breadth of company diversification makes it difficult to pick and choose technology

- BAE Systems is diversified across five segments
- Including fighter jets, submarines, combat vehicles, missiles, drones, and cyber products
- Investors cannot be selective over technology exposure

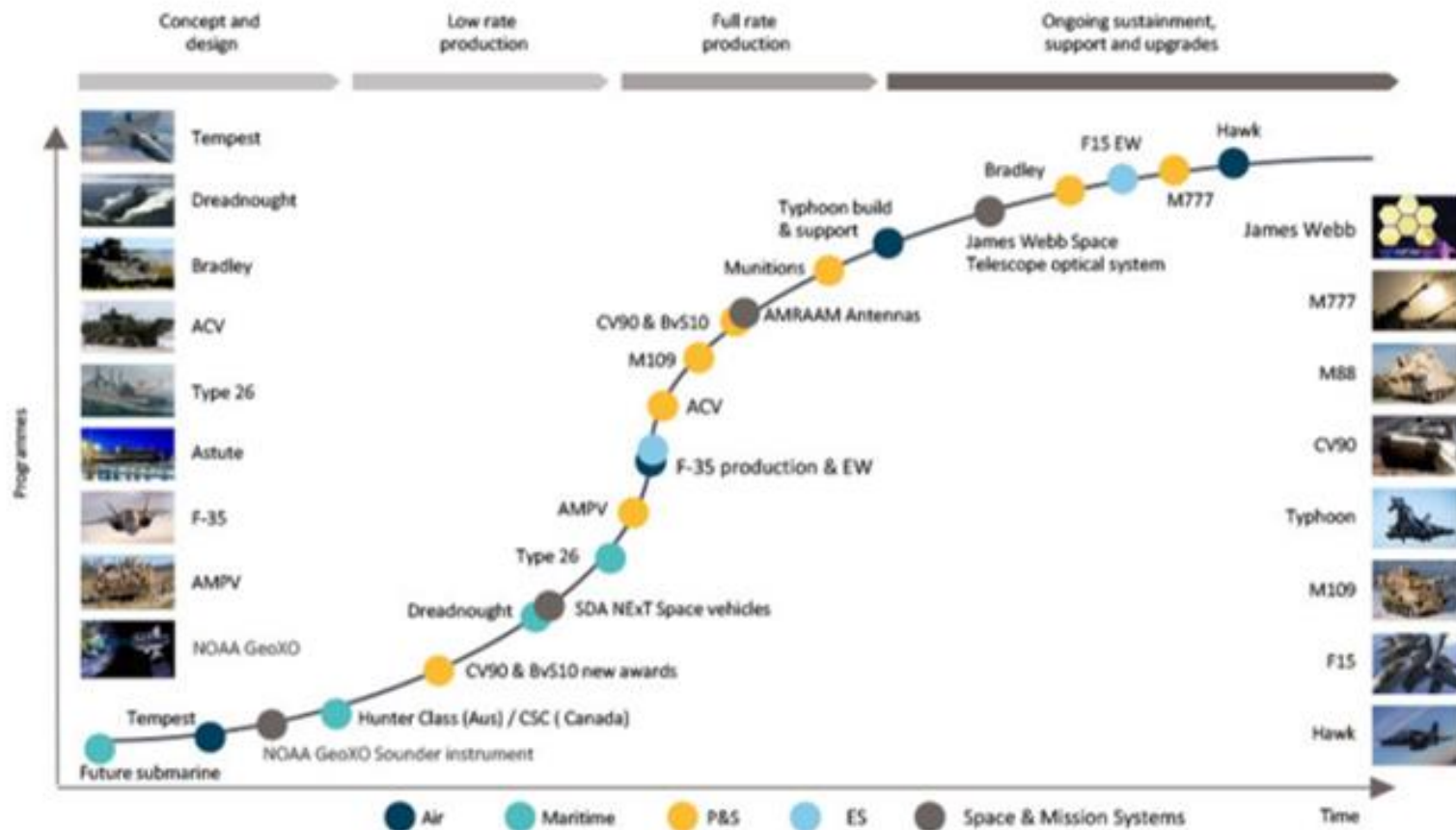


Image Source: BAE Systems

LIVE WEBINAR SPECIAL

Re-evaluating defence stocks in charity investment portfolios

Tuesday 25 November 2025 | 12pm - 1pm

Join Nicola Toyer, Charities Director at Quilter Cheviot, and a panel of expert speakers as they explore whether it's time to challenge the sector's norm of not investing in defence companies. In light of a rapidly changing geopolitical landscape, should trustees and finance leaders reconsider the role this sector might play in a modern charity investment portfolio?

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